



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

February 16, 2007

Drew Smith, Treasurer
Democratic Party of Arkansas
1300 West Capitol Avenue
Little Rock, AR 72201

Response Due Date:
March 19, 2007

Identification Number: C00024372

Reference: Year End Report (11/28/06-12/31/06)

Dear Mr. Smith:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-The beginning cash balance of this report should equal the ending balance of your 30-Day Post-General Report (10/19/06-11/27/06). Please clarify this discrepancy and amend any subsequent report(s) that may be affected by this correction.

-The totals listed on Lines 6(c), 7, 11(a)(i), 11(a)(ii), 11(a)(iii), 11(d), 12, 15, 17, 19, 20, 21(a)(i), 21(a)(ii), 21(b), 21(c), 29, 30(a)(i), 30(a)(ii), 30(c), 31 and 32, Column B of the Summary and Detailed Page(s) appear to be incorrect. Please be advised that you should add the "Calendar Year-to-Date" total from your previous report to the current "Total This Period" figure from Column A to derive the correct Column B totals. Please amend your report and any subsequent reports that may be affected by this correction.

-Schedule A of your report discloses transfers totaling \$14,000.00 from "ASDC Partnership Program," which is a joint fundraising committee affiliated with your committee. The sum of the entries itemized on the memo Schedule A, however, total only \$136.95.

Please be advised that a memo Schedule A must be provided to itemize your committee's share of the gross contributions received through the joint

fundraiser. The memo schedule should itemize each individual who has contributed an aggregate in excess of \$200 during the calendar year, and provide the amount of unitemized contributions received. In addition, the memo schedule should itemize your committee's share of all contributions from political committees, regardless of amount. 11 CFR §102.17(c)(8)(i)(B) Please clarify this discrepancy.

-Schedule A supporting Line 15 of your report discloses an offset to an operating expenditure(s) totaling \$397.16 from "Dori Martin"; however, your report(s) does not appear to disclose a disbursement to this entity. Please provide clarifying information regarding this activity and amend your report(s) if necessary.

-Schedule B supporting Line 29 of your report discloses a voided or returned check(s) for an expenditure(s) made during this or a previous reporting period. Please clarify if and when this check(s) was reissued. If it was not reissued, please clarify the steps your committee has taken in order to avoid the acceptance of a prohibited in-kind contribution(s).

-Schedule B supporting Line 29 discloses \$5,000.00 in transfers to what appears to be a non-federal account of your committee. Please provide further clarification regarding this transfer(s) to your non-federal account.

You are advised that 11 CFR §102.5 prohibits a non-federal account from financing activity in connection with federal elections. If any of these disbursements were made to influence the election or defeat of specific federal candidates, the disbursements should be allocated accordingly and disclosed as either in-kind contributions on Schedule B supporting Line 23, independent expenditures on Schedule E supporting Line 24, or as coordinated expenditures on Schedule F supporting Line 25. 11 CFR §§104.3(b)(3) and 106.1 In addition, if your non-federal account has paid any expenditures which should have been allocated, you are advised to correct any non-compliance with 11 CFR §§106.6 and 106.7 and establish procedures to insure future compliance with allocation regulations.

-Your Amended 12-Day Pre-General (10/1/06-10/18/06), received 1/2/07, 30-Day Post-General (10/19/06-11/27/06) and Year End (11/28/06-12/31/06) Reports combined do not disclose any payments for salary or wages on Schedule B supporting Line 30(b) of the Detailed Summary Page. 11 CFR §100.24 defines as Federal Election Activity, services provided by an employee of a State, district or local party committee who spends more than 25 percent of their time during that month on activities in connection with a Federal election. You are advised that payments for salaries and wages for employees who spend more than 25 percent of their compensated

time in a given month on Federal Election Activity or activities in connection with a Federal election must be made with Federal funds only. Please provide clarification regarding the lack of payments for salary and wages disclosed by your committee.

-On Schedule H4, your allocated activity or event year-to-date total calculations for the Administrative category are incorrect. Allocated activity or event year-to-date totals for administrative, voter drive, exempt activity costs and expenses for public communications made by PACs referencing only political parties are derived by aggregating all disbursements during the calendar year for each separate category. Allocated activity or event year-to-date totals for fundraising and direct candidate support activities are derived by aggregating all disbursements during the calendar year within a specific event. These should be calculated by adding the latest disbursement for a category or event to the previous event year-to-date total for that category or event. This running event year-to-date total should be disclosed after each disbursement is listed. Please amend your report by providing the correct event year-to-date totals.

-Please amend your report by providing the address for each disbursement itemized on Schedule(s) H4 supporting Line(s) 21(a).

-Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule(s) H4 of your report to clarify the following description(s): "consulting - general." For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

-Schedule H4 of your report discloses a payment to "Jimmie Lou Fischer, Inc.," which is categorized as an Administrative expense; however, the purpose of disbursement disclosed is "polling research." Please be advised that payments made for your committee's generic voter drive activities, that do not qualify as Federal election activities and that are not party exempt activities, should be categorized as a Voter Drive expense on Schedule H4. Please amend your report to clarify the appropriate category for this activity or provide clarifying information regarding this apparent discrepancy.

-Schedule H4 of your report discloses reimbursements to individuals for "meals." Please be advised that when itemizing reimbursements to individuals for goods or services, payment to the original vendors must be itemized as memo entries regardless of amount. Each memo entry must include the name and address of the original vendor, as well as the date, amount and purpose of the original purchase must be provided. Please

amend your report to include the missing information and clearly identify on the Schedule H4, which reimbursement each memo entry relates to. 11 CFR §§104.10 and 104.17, and Advisory Opinions 1992-1 and 1996-20, footnote 3

-Schedule H4 of your report discloses voided or returned checks for expenditures made during this or previous reporting periods. However, you have failed to disclose a transfer-out for the non-federal portion of these voided checks issued for allocable expenses. Please provide clarifying information regarding the non-federal portion and, in addition, please clarify if and when these checks were reissued. If they were not reissued, please clarify the steps your committee has taken to account for the federal portion of these voided or returned checks in order to avoid the acceptance of a prohibited in-kind contribution.

-Schedule H4 of your report discloses \$127.50 in payments for "janitorial" and "janitorial service" to individuals. Please clarify whether these individuals are employees of your committee. If they are employees, please clarify whether this activity is for employees who spent 25% or less of their time during the month(s) referenced above on Federal election activity (FEA) or activities in connection with a Federal election. You are advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on FEA or activities in connection with a Federal election must not be allocated between or among federal, non-federal and Levin accounts. Rather, only federal funds may be used.

Any reimbursement from your committee's non-federal or Levin account for salary and wage payments for employees who spent more than 25% of their compensated time in a given month on FEA is not permissible and must be returned. Please provide clarification regarding these payments.

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "insurance," "payroll taxes" and "salary". Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal election activity (FEA) or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

Please clarify whether this activity is for employees who spent 25% or less of their time during the month(s) referenced above on FEA or activities in connection with a Federal election. If this is not the case, any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding any improper allocation activity, your prompt action will be taken into consideration.

-On Schedule H6, your allocated activity or event year-to-date total calculations for the "Generic Campaign" and "Voter ID" category(s) are incorrect. Allocated activity or event year-to-date totals for this activity should be calculated by adding the latest disbursement for a category to the previous event year-to-date total for that category. This running event year-to-date total should be disclosed after each disbursement is listed. Please amend your report by providing the correct event year-to-date totals.

-Schedule H6 of your report discloses voided or returned checks for expenditures made during this or previous reporting periods. However, you have failed to disclose a transfer-out for the Levin portion of these voided checks issued for allocable Federal Election Activity expenses. Please provide clarifying information regarding the Levin portion and, in addition, please clarify if and when these checks were reissued. If they were not reissued, please clarify the steps your committee has taken to account for the federal portion of these voided or returned checks in order to avoid the acceptance of a prohibited in-kind contribution.

-The totals listed on Lines 1(a), 1(b), 1(c), 3, 4(c), 4(e), 5 and 8, Column B of the Schedule L Aggregation Page for the "DPA Levin Fund" account appear to be incorrect. Please be advised that you should add the "Column B Year-to-Date" total from your previous report to the current "Column A Total This Period" figure to derive the correct Column B totals. Please amend your report and any subsequent reports that may be affected by this correction.

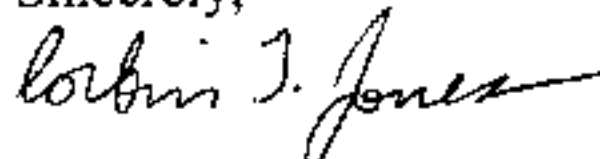
-On the Schedule L Aggregation Page for the "DPA Levin Fund" account, the beginning cash balance, Line 7, Column A, should equal the ending balance, Line 11, Column A, of your previous report. Please clarify this discrepancy and amend any subsequent report(s) that may be affected by this correction.

-Schedule H4 of your report discloses activity which is 100% federal. For future reporting, please be advised that any activity which is financed entirely by the federal account (including administrative expenses), should be reported on Schedule B supporting Line 21(b).

Please note, you will not receive an additional notice from the Commission on this matter. Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1177.

Sincerely,



Corbin T. Jones
Campaign Finance Analyst
Reports Analysis Division

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